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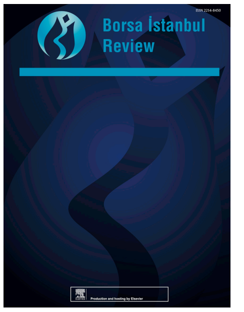

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Financial integration in emerging market economies: effects on volatility transmission and contagion

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Abstract

The purpose of this paper is to examine the volatility relationship that exists between emerging and developed markets in normal times and in times of financial crises. The Vector Autoregressive methodology and the Bai and Perron (2003a,b)'s technique are used. The paper results lead to very interesting conclusions. First, it has been found that volatility spillovers are effective across financial markets. Second, it has been proven that geographical proximity is of great importance in amplifying the volatility transmission. Finally, it has been shown that financial liberalization contributes significantly in amplifying the international transmission of volatility and the risk of contagion.

Keywords: volatility spillover; financial liberalization; emerging stock markets;

JEL Classifications: F3, G01, G15, G18, C58

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